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Correspondence Memorandum

Date: August 28, 2017
To: Audit Committee Members
From: Yikchau Sze, Director
Office of Internal Audit
Subject: Pharmacy Benefit Manager Audit

This memo is for Audit Committee review and discussion. No action is required.

Navitus Health Solutions, LLC (Navitus) is the third-party administrator that, since 2004, has provided pharmacy benefit management services for the State of Wisconsin Group Health Insurance Program.

The Department of Employee Trust Funds (ETF) and the ETF Board retained TRICAST, Inc., to assess Navitus compliance with the Group Insurance Board's pharmacy benefit management administrative services agreement for the plan years 2015 and 2016.

TRICAST's Executive Summary concludes that TRICAST considers this a passing audit. All variances identified were validated as appropriate by Navitus.

Attachment A is the memo to the Group Insurance Board from Jeff Bogardus, ETF Pharmacy Benefit Programs Manager, highlighting objectives, scope and findings of the audit.

Jeff Bogardus will be available at the Audit Committee meeting to answer any questions.

Attachment A: Audit of Pharmacy Benefit Manager Services and Medicare Part D Employer Group Waiver Plan

Reviewed and approved by Robert J. Conlin, Secretary

Electronically Signed: 9/12/2017

| Board | Mtg Date | Item # |
|-------|----------|--------|
| AUD | 9.21.17 | 3A |



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Correspondence Memorandum

Date: August 3, 2017
To: Group Insurance Board
From: Jeff Bogardus, Pharmacy Benefit Programs Manager
Office of Strategic Health Policy
Subject: Audit of Pharmacy Benefit Manager Services and Medicare Part D
Employer Group Waiver Plan

This memo is for informational purposes only. No Board action is required.

The Department of Employee Trust Funds (ETF) has retained TRICAST, Inc. to conduct comprehensive, biennial audits of the administration of all pharmacy benefit programs included as part of the State and Wisconsin Public Employers group health insurance programs. These audits assess compliance with the Group Insurance Board's (Board) pharmacy benefit management administrative services agreement with Navitus Health Solutions, LLC (Navitus), as pharmacy benefit manager. These audits are conducted on an annual plan year basis of the various pharmacy benefit segments administered by Navitus.

The current audit report covers the following segments:

- 2016 Commercial (non-Medicare) Claims Pricing
- 2015 Pharmacy Network
- 2015 Fourth Quarter Rebates
- 2016 Commercial (non-Medicare) Plan Design
- 2015 Medicare Part D Employer Group Waiver Plan (EGWP)

Findings

TRICAST's Executive Summary (Attachment A) on page 5 and Audit Results report (Attachment B) on page 21, conclude that TRICAST considers this a passing audit. All variances identified were validated as appropriate by Navitus. TRICAST indicated that where the audit revealed discrepancies, Navitus could show it appropriately administered the pharmacy benefit programs per the plan design and contractual provisions. Upon request, staff will provide to the Board copies of the detailed reports produced by TRICAST that support the Executive Summary and Audit Results report.

Reviewed and approved by Lisa Ellinger, Director, Office of
Strategic Health Policy

Electronically Signed 8/18/17

| Board | Mtg Date | Item # |
|-------|----------|--------|
| GIB | 8.30.17 | 10A |

Contract Pricing Analysis

As part of TRICAST's practice of reviewing 100% of claims processed, more than two million claims were examined by TRICAST during this audit. The contract pricing analysis concludes that the discounts Navitus is negotiating for the State and WPE group health insurance programs continue to improve in all categories. As with the previous audit report, notable are the discounts for specialty drugs, which increased by 4.83% over 2015, as shown in Attachment C. Navitus negotiates discounts directly with pharmacies. Rebates, which Navitus negotiates with manufacturers, are covered later in this memo.

Onsite Review of Pharmacy Network Contracts

For this audit period, TRICAST evaluated the 20 chain pharmacies and the 20 independent pharmacies with the highest plan-paid amounts. TRICAST concluded that the pharmacies, including the large chains, were compliant with contracts and were performing as expected. TRICAST concluded that the contract terms of these 40 entities aligned with the actual performance 100% of the time. See attachment D for the lists of pharmacies evaluated.

Rebate Audit and Analysis

As with past audits, the rebate analysis for the 2015 plan year shows small variances in the rebates reported by Navitus compared to TRICAST's independent calculation of rebates owed from the top eight drug manufacturers. TRICAST found that the actual rebate dollars passed through to the group health insurance programs by Navitus exceeded what TRICAST would have expected based on their analysis.

Navitus submits rebates to drug manufacturers aggregated for Navitus' entire book of business. Rebates are greater when more claims are submitted to the manufacturer. However, when TRICAST calculates the rebates for its analysis, it is based on ETF programs' claims alone, since TRICAST does not have access to rebate specifics for all other Navitus clients. This difference in how rebates are calculated can create a variance between the TRICAST calculation and what Navitus passes through to ETF programs. As summarized in Attachment E, TRICAST's variance was less than 1%; Navitus provided \$25,856 more rebate dollars than TRICAST had expected, according to TRICAST's analysis. This is an acceptable variance, based on the standards TRICAST applies.

Plan Design Audit

TRICAST reviews claims processing system configuration for the appropriate application of plan design copayments, drug coverage and exclusions; prior authorizations; quantity limits; and limitations on prescription fills based on gender (gender edits). TRICAST found no major inconsistencies, as described in the report, beginning on page 15 of Attachment B. The report indicates that any minor inconsistencies with copayments amounted to a little more than 1% of the overall variance, which "... compares very favorably with TRICAST's experience with other clients with similar claims volume." In addition, the audit found no discrepancies with the

amount of day's supply, drug exclusions, prior authorizations, quantity limits or gender edits.

TRICAST identified 17 claims that may have been potential discrepancies as drug exclusions. However, upon review and discussion with Navitus the claims were identified to have had either existing prior authorizations in place or were processed correctly as part of a compound medication. As such, this was not considered a discrepancy and no action was required of Navitus.

Medicare Part D EGWP Audit

The EGWP audit reviews the following:

- Matching claim files to the Medicare Prescription Drug Event (PDE) record and analyzing claim specifics to ensure that PDE records have been accurately and appropriately generated.
- Review of copayments, which includes analysis of the True Out-Of-Pocket (TrOOP) calculations, formulary match, Low Income Cost Sharing calculations and Medicare Part D coverage gap discount calculations.
- Assessing discounts and dispensing fees as part of the EGWP pricing analysis.

TRICAST discovered two situations that Navitus was required to follow up on and which have been resolved:

1. TRICAST found 100 claims from 2015 that did not match to a Medicare PDE. Of these, 58 claims were later validated by Navitus. However, 42 claims had a PDE rejected by the Centers for Medicare and Medicaid Services (CMS).

Navitus has reviewed the 42 claims and will resubmit the PDEs when the 2016 EGWP plan year closes. Resubmission of the PDEs ensures the group health insurance programs receive the appropriate Medicare Part D subsidies.

2. TRICAST identified 26 claims for Cialis that did not have the appropriate prior authorization granted for coverage. Staff have reviewed all 26 claims with Navitus and confirmed that they have been processed per CMS guidelines.

The EGWP pricing analysis indicates that Navitus is providing the State and WPE programs with viable discounts and pricing. The EGWP copayment analysis also indicates that with a copayment variance of approximately 0.5%, Navitus' results compare favorably with their benchmarking where they typically see 1% to 2% variance. TRICAST did provide Navitus with a list of 127 claims that were identified as processing inconsistencies. Based on Navitus' responses to TRICAST, it was determined that claims were adjudicating correctly. Staff have confirmed that any reprocessing of claims that was required has been completed.

Conclusion

While the audit found some discrepancies in the processing of claims, the volume is quite small, compared to the overall number of claims processed by Navitus under both the EGWP and commercial plans. TRICAST concludes that, overall, the programs are being administered in accordance with the plan designs and considers this an acceptable audit.

Staff will be at the Board meeting to answer any questions.

Attachment A: Executive Summary

Attachment B: Audit Results

Attachment C: 2016 Contract Pricing Analysis

Attachment D: 2015 Pharmacy Contract Review

Attachment E: 2015 Rebate Audit & Analysis



Let the Data Drive Your Decisions

Pharmacy Program Oversight Executive Summary

Created for
State of Wisconsin ETF

7/12/2017



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I. Auditor's Report

State of Wisconsin, Department of Employee Trust Funds (ETF), on behalf of the State of Wisconsin Group Insurance Board (Board), is assessing the performance of the Board's Pharmacy Benefit Manager (PBM), Navitus Health Solutions, LLC (Navitus). ETF is completing this audit to maintain ongoing oversight efforts and obtain a thorough understanding of the performance of the contracted PBM.

ETF provides pharmacy benefit program management for more than 270,000 participating members associated with annual drug costs in excess of \$400 million.

Tricast performed a comprehensive audit of Navitus' administration of the pharmacy benefits for ETF. This audit represents phase six.

Phase 6

| | |
|---------------------------------|-------------------------------|
| Client Name | State of Wisconsin ETF |
| PBM Name | Navitus |
| EGWP Claims Period | 01/01/2015 through 12/31/2015 |
| Commercial Claims Period | 01/01/2016 through 12/31/2016 |
| Pharmacy Network Period | 01/01/2015 through 12/31/2015 |
| Rebate Periods | 10/01/2015 through 12/31/2015 |

II. Auditor's Findings

Commercial Audit

- **Copay:** Miscellaneous minor inconsistencies were found in collected copays that represented a 1% overall variance. The following issues were discovered:
 - Navitus determined that these inconsistencies primarily are for drugs that are part of the RxCents program, Tablet Splitting program, claims that were part of the generic waiver program and claims that had a member prior authorization (MPA) to override the copay, or for members that met their out of pocket amount.
- **Plan Design:** TRICAST noted no discrepancies in day supply, drug exclusions, prior authorizations, quantity limits and gender edits.
- **Pricing:** TRICAST concludes that Navitus is performing per the contract on discounts and dispensing fees. Pricing parameters are aligned with the size and scope expected in the market place for time analyzed.

Onsite Review of Pharmacy Network Contracts

TRICAST concludes that all of the pharmacies, including the large chains, were compliant with their contracts and were performing as expected.

Rebate Audit

TRICAST concludes that Navitus is processing and paying rebates for ETF in compliance with the contracts with the manufacturers.

Employer Group Waiver Plan (EGWP) Audit

- **PDE Analysis:** TRICAST audited 100% of the Prescription Drug Event (PDE) records processed from January 1, 2015 through December 31, 2015 and found 100 source claims without an associated PDE. Navitus noted the reason that an associated PDE was not found was due to a rejected PDE, or the accepted PDE was in the following year (2016). Navitus should review the 42 Rejected PDE's and resubmit so ETF is subsidized appropriately. In addition, Navitus should verify 26 claims for Cialis had appropriate authorization.
- **Pricing:** TRICAST concludes that Navitus is performing as expected on discounts and dispensing fees. Pricing parameters are aligned with the size and scope expected in the market place for the time period analyzed.
- **Copayment Analysis:** TRICAST's copay analysis includes verifying the True Out-Of-Pocket (Troop) calculation, formulary match, Low Income Cost Sharing (LICS)

calculations and Coverage Gap discount calculations based on CMS guidance. TRICAST calculated less than 1% variance for 2015. TRICAST concludes that Navitus is adjudicating claims in accordance with CMS guidance.

III. Auditor's Conclusions

TRICAST considers this a passing audit. All variances identified were validated as appropriate by Navitus. After review of Navitus' responses to our findings, we are comfortable that the prescription drug benefits for the State and Wisconsin Public Employers group health insurance programs are being administered per the plan design documentation.

It is TRICAST's belief that Navitus should review the Rejected PDE's and resubmit so ETF is subsidized appropriately.

TRICAST will continue to review pricing, rebates, EGWP and commercial plan design on behalf of the State of Wisconsin, Department of Employee Trust Funds.



Let the Data Drive Your Decisions

Pharmacy Program Oversight Audit Results


Created for
State of Wisconsin ETF

7/12/2017



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Exhibits

Contract Pricing Analysis

1. 2016 Pricing Audit Report
2. 2015 Wrap Pricing Report

Onsite Review of Pharmacy Network Contracts

3. 2015 Chain Discount Report
4. 2015 Independent Discount Report

EGWP Copays

5. SoWI EGWP Report 2015

Commercial Copays

6. State of WI 2016 Copay

Project Summary

State of Wisconsin, Department of Employee Trust Funds (ETF), on behalf of the State of Wisconsin Group Insurance Board (Board) is assessing the performance of the Board's Pharmacy Benefit Manager (PBM), Navitus Health Solutions, LLC (Navitus). ETF is completing this audit to maintain ongoing oversight efforts and obtain a thorough understanding of the performance of the contracted PBM.

ETF provides pharmacy benefit program management for more than 270,000 participating members associated with drug costs in excess of \$400 million.

TRICAST performed a comprehensive audit of Navitus' administration of the pharmacy benefits for ETF. This audit represents phase six. The audit is segmented into the following phases:

Phase 6 (2016) (Current)

- **EGWP Program 2015**
- **Pricing and Plan Design Commercial 2016**
- **Pharmacy Network 2015**
- **Rebate Audit 4th Quarter 2015**

Phase 7 (2017)

- EGWP Program 2016
- Pricing and Plan Design Commercial 2017
- Pharmacy Network 2016
- Rebate Audit 4th Quarter 2016

About TRICAST

TRICAST, Inc. is a leading pharmacy data, analytics, and consulting firm founded in 1997. TRICAST has leveraged more than 25 years of technology and claims processing expertise, extensive client insight and a team of industry experts to offer forward-thinking, full-scope pharmacy benefit oversight solutions to our clients.

We provide audit services as the core of our business, and have assessed multiple types of pharmacy programs. Our broad experience across payors of widely differentiated size and type, combined with our focused experience in pharmacy, enables us to deliver a comprehensive assessment of pharmacy programs.

The TRICAST Audit Team

TRICAST specializes in the pharmaceutical marketplace. Each TRICAST team member provides unique skills to maximize the effectiveness and scope of the pharmacy program services we provide. Several of TRICAST's staff members have come directly from executive positions in government programs and Medicare Part D operations and compliance.

- **Greg Rucinski R.Ph., President and CEO**- Sponsors the process.
- **Stacy Ausprung, Director Client Services** - Manages the audit process and performs analysis, process management, ongoing support and oversight of plan.
- **Regina Ackley, Sr. Business Analyst** – Manages the rebate audit process and performs rebate analysis and process management.
- **Julie Weissmann, Data Analyst** – Reviews the audit process and performs analysis.
- **Tom Rieger, Data Analyst** – PBM data expert; reviews data and validates performance.

The TRICAST Audit Process

The most critical element of a successful audit is an understanding of the data on which it is based. TRICAST's service offerings are built upon our proven, reliable technology, utilizing software solutions that have been developed in-house by our team of Information Technology experts.

TRICAST Systems Utilized

TRICAST's family of software applications offers integrated communication and decision support in a single data warehouse that supports our clients' analytic and reporting needs. All TRICAST applications are created in-house by our own development staff. We apply our deep experience in pharmacy benefit management with considerable skill sets in software design to create a standardized approach to all our .NET applications. As a result, TRICAST offers a complete suite of web-based products that enable us to deliver expert pharmacy benefit program auditing, development and oversight services that are unmatched in the industry.

A TRICAST audit re-adjudicates 100% of all claims data—not just a sampling—using TRICAST software that mimics a PBM's original claim adjudication. We don't stop at just the paid claims either, because we also include the "raw" claims transactions in our analysis. We feel that the addition of this raw data is critical to our understanding of the PBM's claims processing accuracy, and it helps us create a platform for rapid resolution and recovery.

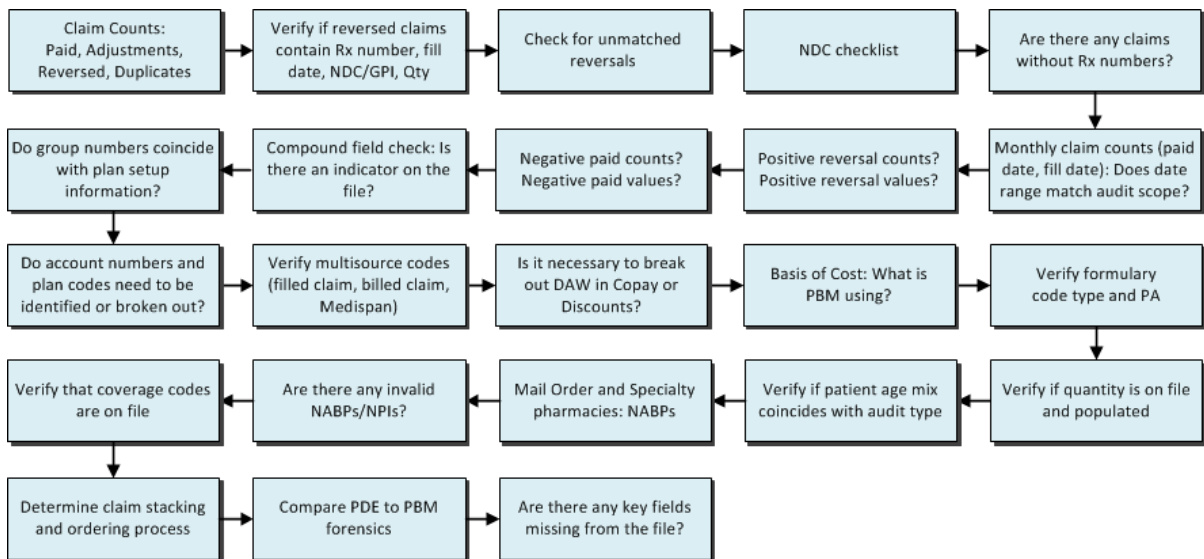
Accurate assessment of all plan design attributes and the appropriate forensic analysis of the claims and eligibility are essential elements that only a full review can provide. Accordingly, every TRICAST report is driven by actual claims re-pricing, not summary reports with simple discounts and arithmetic applied. Only by re-adjudicating 100% of the PBM's claims can we review and benchmark variances.

Data Mapping and Integration

TRICAST audited 100% of ETF's claims, including reversed and rejected claims, prior authorizations, and formulary indicators. Claim records for both EGWP (1/1/2015 – 12/31/2015) and commercial (1/1/2016 - 12/31/2016) plans were reviewed.

The TRICAST Data Integrity Check

The first deliverable from TRICAST is a multi-part review of the mapping and statistics of your data, a process we call **data forensics**. The data forensics process is illustrated in the diagram shown here.



Pricing Audit

In the Pricing Audit, TRICAST uses our experience and software applications to assess Navitus' financial performance and thoroughly analyze PBM relationships for contract compliance. This step provides assurance that the Navitus' financial performance is sound and encompasses a claim analysis of 100% of the plan's claims. For ETF, TRICAST audited 100% of claims processed from January 1, 2016 through December 31, 2016. The Pricing Audit included:

- **Achieved Discounts**
 - Brand and Generic Mail Order
 - Brand and Generic Retail
 - Specialty
 - Zero Balance Claims
 - Compound Claims
 - Subscribers Claims
- **Adjudicated Dispensing Fees**
 - Brand and Generic Mail Order
 - Brand and Generic Retail
 - Specialty
 - Claims paid at Maximum Allowable Cost (MAC) rates

Achieved Discounts & Adjudicated Dispensing Fees Summary

TRICAST has assessed discounts and dispensing fees against a standard template PBM contract for a client of this size with the understanding that Navitus is passing through all discounts and billing the ETF.

TRICAST concludes that Navitus is performing as expected on discounts and dispensing fees. Based on the benchmarks, Navitus in aggregate is over-performing in discounts. TRICAST reviews national contracts for 100,000 life clients on a regular basis, pricing parameters compare favorably with the size and scope expected in the market place for the time period analyzed.

| 2016 | | TRICAST |
|----------------------------------|------------------------------|------------------|
| Discounts | | BENCHMARKS |
| Mail | Achieved Discounts | Discounts |
| Brand | AWP – 21.36% | AWP – 24.10% |
| Generic | AWP – 88.75% | AWP – 78.50% |
| Specialty | AWP – 24.12% | AWP – 24.10% |
| | | |
| Retail | Achieved Discounts | Discounts |
| Brand | AWP – 16.71% | AWP – 15.60% |
| Generic | AWP – 82.06% | AWP – 75.50% |
| | | |
| Total AWP | Claim Ingredient Cost | |
| \$502,482,427 | \$238,097,355 | |
| | | |
| Dispensing Fees | | |
| Dispensing Fees Collected | | |
| \$1,927,752 | | |

Please refer to exhibit: **2016 Pricing Audit Report.**

Onsite Review of Pharmacy Network Contracts

TRICAST has reviewed the contracts between Navitus and the top 20 independent and top 20 chain pharmacies and concludes that the pharmacies, including the large chains, were compliant with their contracts and were performing as expected. TRICAST reviewed the specific Network contracts with the actual results to provide assurance that the contracts adhere to the discount passed through.

Please refer to exhibits: **2015 Chain Discount Report, 2015 Independent Discount Report.**

Rebate Audit

TRICAST's rebate assessment for ETF included:

- Validating rebate calculations
- Providing feedback regarding whether the rebates met expectations, and
- Verifying compliance with contractual percent of rebate collection passed through in payments to client

The project consisted of an onsite audit to review the pharmaceutical manufacturer rebate contracts and invoices as well as performing an analysis using TRICAST's proprietary PharmaCAST® software to compare the pharmaceutical contracts to ETF's claims utilization. Both components are outlined below.

Onsite Audit

TRICAST conducted an extensive onsite review of the agreements and amendments between Navitus and the top eight pharmaceutical manufacturers by drug spend specific to the ETF arrangement for Q4'15. In addition, TRICAST reviewed ETF's rebate payment report.

The elements of the pharmaceutical contracts analyzed included:

- Base rebates – Defined as a rebate provided under any circumstance.
- Market share rebate – Defined as an additional rebate provided when the manufacturer product performance is compared to competitive drugs in the defined therapeutic class. This definition is manufacturer specific and is typically referred to as "Market Basket." Market share calculations may be compared to "National Market Share"; the client/carrier market of a previous quarter; and/or a combination of both, whichever is higher or lower.
- Formulary type – Typically defined as open/preferred/closed; this will also have an impact on the base and market share rebate percentages.
- Administration fees – Additional monies that may be retained by the PBM from the manufacturers. TRICAST assesses whether these fees were shared with the client/carrier or retained by the PBM.
- Market share calculations – Calculations defined by the client/carrier data or the book of business definition of the PBM.
- Other fees – Fees identified in the contract or through other documentation for disease management sponsorship, sales quotas, or other fees received from the pharmaceutical manufacturers or their intermediaries.

Rebate Analysis

TRICAST utilized its proprietary application, PharmaCAST, to analyze Navitus' administration of rebates for ETF in Q4'15. Utilizing PharmaCAST, the data from the pharmaceutical contracts were run against the rebate invoices and ETF's claims data for Q4'15. Results per manufacturer are listed in Figure 1 below.

Figure 1. Q4'15 Rebate Analysis for ETF

Top 8 Manufacturers

| Manufacturer | Navitus Rebates | TRICAST Rebates | Variance |
|-------------------|--------------------|--------------------|-----------------|
| Commercial MFR #1 | \$1,648,874 | \$1,648,436 | \$438 |
| Commercial MFR #2 | \$1,475,590 | \$1,459,923 | \$15,667 |
| Commercial MFR #3 | \$1,449,761 | \$1,452,269 | (\$2,508) |
| Commercial MFR #4 | \$1,003,996 | \$1,002,713 | \$1,283 |
| Medicare D MFR #5 | \$274,831 | \$275,868 | (\$1,037) |
| Medicare D MFR #6 | \$254,073 | \$244,767 | \$9,306 |
| Medicare D MFR #7 | \$229,008 | \$222,045 | \$6,963 |
| Medicare D MFR #8 | \$248,022 | \$252,280 | (\$4,258) |
| | \$6,584,156 | \$6,558,300 | \$25,856 |

Rebate Calculation Differentials

TRICAST has found that differences can occur in the rebate amounts billed to manufacturers by a PBM and the rebate amount calculated by TRICAST for an individual health plan. The primary reason for these differences lies in the common practice by PBMs of submitting rebate-eligible claims to a manufacturer for the PBM's book of business rather than for each plan individually. This typically works to the advantage of the plans, as the amount of rebates paid by the manufacturer will be based on a larger pool of claims. The PBM then pays rebates to each plan separately based on the plan's claims. Our analysis is based on the PBM's contractual rebate agreements with manufacturers for that plan only, and may be lower than the amount billed by the PBM when rebate-eligible claims for its entire book of business are submitted to the manufacturers.



Rebate Analysis Findings

The TRICAST audit team performed the following rebate analysis for ETF:

1. Reviewed the top eight pharmaceutical manufacturer agreements and amendments specific to the ETF arrangement for Q4'15.
2. Analyzed 100% of the claims data of the pharmaceutical manufacturer contracts.
3. Reconciled the audit claims data and the rebate payment report to determine whether the appropriate rebate amounts were paid to ETF.

TRICAST concludes that Navitus is processing and paying rebates for ETF in compliance with the contracts with the manufacturers.

Commercial Plan Design Audit

In the Commercial Plan Design Audit, TRICAST reviewed Navitus' management of the benefit in place during the review period of January 1, 2016 through December 31, 2016. As a first step in the audit, TRICAST re-adjudicated 100% of ETF's historical claims processed by Navitus during the review period, including reversed and rejected claims, prior authorizations, and formulary indicators.

TRICAST's AccuCAST application is able to audit plan design continuously, which is valuable to clients in determining their PBM's performance over time. The Plan Design Audit captures the following criteria:

- Benefit / Adjudication Parameters
 - Copayment Rules
 - Day Supply (DS)
 - Drug Exclusions
 - Prior Authorization
 - Quantity Limits

Copay Summary

Copayments, or copays, indicate the dollar amount required from the insured when he or she purchases a prescription drug. A TRICAST copay adjudication review compares the plan designs from the Pharmacy Benefit Manager (PBM) and the client and, after rules based on the plan designs are created, compares them to claims to ensure that they have been properly adjudicated.

TRICAST's analysis determined that copays of \$23,942,829 were collected in 2016 with no major inconsistencies found. Miscellaneous minor inconsistencies were found in collected copays that represented a 1% overall variance. This compares very favorably with TRICAST's experience with other clients with similar claims volume.

TRICAST provided Navitus with samples of the claims in which copay inconsistencies were identified. Navitus determined that these inconsistencies primarily are for drugs that are:

- part of the RxCents program,
- Tablet Splitting program,
- claims that were part of the generic waiver program and
- claims that had a member prior authorization (MPA) to override the copay,
- or members that met their out of pocket amount.

| Plan Year | Copays Collected | Copays per Plan Design | Total Variance | Variance Percent |
|-----------|------------------|------------------------|----------------|------------------|
| 2016 | \$23,942,829 | \$23,670,454 | \$272,375 | 1.14% |

Please refer to exhibit: **State of WI 2016 Copay.**

Drug Coverage Summary

Day supply

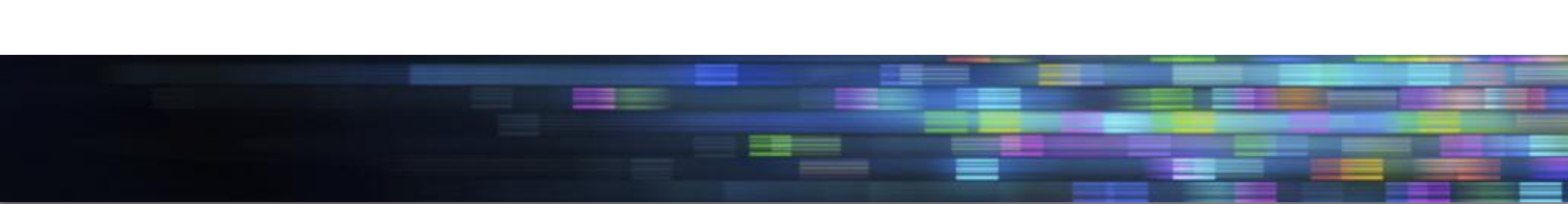
TRICAST's analysis did not find any claims outside of the day supply stipulated in the plan design documentation.

No action is required.

Drug Exclusions

Exclusion criteria describe what medications a plan covers, or does not cover. A TRICAST review of these criteria is done to ensure plan adherence.

In 2016, 17 claims were identified as potential discrepancies. Discrepant claim samples were provided to Navitus for review, and comment. According to Navitus, members had a standard prior authorization in place or claims were part of a compound and therefore paid



correctly. TRICAST agrees that the claims paid correctly with the Prior Authorization, Navitus will need to provide additional details in regards to the PA if requested.

No discrepancies noted. No action required.

Prior Authorizations

The process of obtaining advanced approval of coverage for a health care service or medication. Without this prior approval, a health plan may not provide coverage, or pay for, a medication. A TRICAST analysis looks at the prior authorization (PA) requirements in a plan, compares them to the claims data, and looks for trends and discrepancies.

In 2016, 148 claims were identified as potential discrepancies. Discrepant claim samples were provided to Navitus for review, and comment. According to Navitus, members had a standard prior authorization in place or claims did not require a prior authorization if written by a specialist.

No discrepancies noted. No action required.

Quantity Limits

Certain drugs have quantity limits to encourage appropriate drug usage, enhance drug therapy and reduce client costs by increasing the member cost share. The quantity limit is the maximum quantity that can be dispensed over a given period of time. Quantity limits are often applied to inhalers, injectables, patches, and other pre-packaged units, and to medications that are prescribed on an “as-needed” basis such as migraine therapy. TRICAST quantity limit analysis examines your plan information and dosage rules, compares them to the actual claims, and then notes any discrepancies or trends.

No discrepancies noted. No action required.

Gender Edits

In this review, TRICAST identifies cases where prescriptions for drugs that are FDA-approved for only female patients were dispensed to male patients, and for drugs that are FDA-approved for only male patients were dispensed to female patients. Gender edits are designed to prevent potential harm to members and promote appropriate utilization. The approval criteria are based on information that comes directly from the FDA and medical literature.

No discrepancies noted. No action required.

Employer Group Waiver Plan (EGWP) Audit, 2015

TRICAST's EGWP Assessment for ETF included:

- Matching source claim files to the Prescription Drug Event (PDE) record
- Analyzing claim specifics to ensure that PDE records have been accurately and appropriately generated
- Review of copayments/coinsurance to include True Out-Of-Pocket (TrOOP) calculations, formulary match, Low Income Cost Sharing (LICS) calculations and GAP discount calculations

Audit Process

The audit process is outlined below.

Set-up

1. The PDE, Monthly Membership Report (MMR), and Transaction Reply Report (TRR) data is loaded into TRICAST's AccuCAST system.
2. The LICS subsidy amount data from the TRR file is merged with the MMR data.
3. Plan set-up designations are created based on the distinct CMS plan designation.

LICS Calculations

1. The PDE data is run using the appropriate calendar year settings. To determine which members are LICS members, LICS amount calculations are added to the process and a match is generated on eligible members using the merged MMR/TRR data.
2. All covered claims are processed against the Defined Standard (DS) to calculate what the DS copay and plan paid should be. The LICS amount is then calculated using LICS rules for the selected calendar year.

PDE Analysis

TRICAST audited 100% of the PDE records processed from January 1, 2015 through December 31, 2015. Since the PDE files provided to TRICAST were the PDE submission files and not the actual PDE response files, TRICAST did not receive rejected PDE's.

TRICAST found 100 source claims without an associated PDE record which was provided to Navitus for review.

Navitus reviewed all 100 source claims that did not have an associated PDE record and provided the following responses:

- 42 claims had a Rejected PDE
- Remaining claims had either an accepted PDE in the following year (2016) or the claim was reversed.

TRICAST found 843 reversed source claims that had an accepted PDE and provided the following response:

- 843 claims had an Reversed PDE in the following year (2016)

TRICAST found 82 Non-Medicare claims that had a corresponding PDE for Cialis claims and provided the following response:

- 2.5mg and 5mg Cialis is covered by Medicare D for daily usage in treatment of benign prostatic hyperplasia (BPH). In 2015, these dosages were allowed to pay during a member's 90 day transition period as a Transition Fill. That process has since changed and these dosages will no longer pay as a Transition Fill, as coverage under Medicare D is diagnoses dependent. Twenty six of the 82 claims did not have a PA and therefore even if the member was in transition, Navitus needs to provide information that those members were reviewed.
- Please see the Medicare Prescription Drug Benefit Manual – Chapter 6 Part D Drugs and Formulary Requirements.
 - Section 20.1 Excluded Categories
 - Section 30.4.8 Edits for Transition Fills

TRICAST concludes that PDE records have been accurately and appropriately generated except for the 42 Rejected claims and possibly 26 Cialis claims noted above. It is TRICAST's belief that Navitus should review the Rejected PDE's and resubmit so ETF is subsidized appropriately and verify that member's had the appropriate authorization for the 26 Cialis claims.

EGWP Pricing Analysis

TRICAST has assessed discounts and dispensing fees against a standard template PBM contract for an EGWP client of this size with the understanding that Navitus is passing through all discounts and billing the ETF for all dispensing fees.

TRICAST concludes that Navitus is performing as expected on discounts and dispensing fees. Pricing parameters are aligned with the size and scope expected in the market place for the time period analyzed.

| 2015 | |
|----------------------------------|------------------------------|
| Discounts | |
| Mail | Achieved Discounts |
| Brand | AWP – 19.49% |
| Generic | AWP – 87.88% |
| Specialty | AWP –21.50% |
| Retail | |
| Retail | Achieved Discounts |
| Brand | AWP – 16.09% |
| Generic | AWP – 81.46% |
| Total AWP | Claim Ingredient Cost |
| \$230,482,905 | \$108,594,265 |
| Dispensing Fees | |
| Dispensing Fees Collected | |
| \$1,227,192 | |

Please refer to exhibit: **2015 Wrap Pricing Report.**

EGWP Copayment Analysis

TRICAST's analysis determined that the actual copay amount of \$7,307,376 was collected in 2015 with no major inconsistencies found. Miscellaneous minor inconsistencies were found in collected copays that represented a less than 1% overall variance. TRICAST calculated the copay amount of \$7,271,083, a difference of \$39,416 under collection. This compares very favorably with TRICAST's experience with other clients with similar claims volume, whose variance ranges from 1% to 2% .

TRICAST provided Navitus with 127 sample claims in which copay inconsistencies were identified. Navitus' responses for why claims adjudicated correctly or incorrectly are outlined below:

- COB claims therefore claim paid correctly.
- The RxCents Tablet Splitting program was not "turned on" for ETF's Wrap benefit until 1/10/2015, though it was backdated to 1/1/2015. Therefore, claims processed between 1/1/2015-1/10/2015 would not have had this benefit applied. Claims paid correctly. Navitus made a setup error and did not turn the program on until 1/10/2015.
- Smoking cessation products are covered when filled at a participating pharmacy with a prescription at \$0.00 copay. Both Rx and OTC products are covered. There is a limit of 6 months (180 days) per calendar year. After limits are met, claims will continue to pay, however members will pay 100% of the Navitus contracted rate.

TRICAST's copay analysis includes verifying TrOOP calculation, formulary match, Low Income Cost Sharing (LICS) calculations and GAP discount calculations based on CMS guidance. TRICAST reviewed all responses from Navitus and agrees that copays are adjudicating according to plan design and CMS guidance. Navitus will need to reprocess claims for the items listed above that paid incorrectly.

Please refer to exhibit: **SoWI EGWP Report 2015**.

Conclusions

TRICAST considers this a passing audit to the extent that TRICAST expects Navitus to reprocess the claims outlined in the above report. All variances identified were validated as appropriate by Navitus. After review of Navitus' responses to our findings, we are comfortable that State of Wisconsin, Department of Employee Trust Funds plans are being administered per the plan design documentation.

TRICAST will continue to review pricing, rebates, EGWP and Commercial plan design on behalf of the State of Wisconsin, Department of Employee Trust Funds.

Pricing Audit

TRICAST concludes that Navitus is performing per the contract on discounts and dispensing fees. Pricing parameters are aligned with the size and scope expected in the market place for time analyzed.

Onsite Review of Pharmacy Network Contracts

TRICAST concludes that the pharmacies, including the large chains, were compliant with their contracts and are performing as expected.

Rebate Audit

TRICAST concludes that Navitus is processing and paying rebates for ETF in compliance with the contracts with the manufacturers.

EGWP Audit

TRICAST concludes that Navitus is adjudicating claims in accordance with CMS guidance.

Plan Design Audit

Day supply

No discrepancies noted. No action is required.

Drug Exclusions

No discrepancies noted. No action required.

Prior Authorizations

No discrepancies noted. No action required.

Quantity Limits

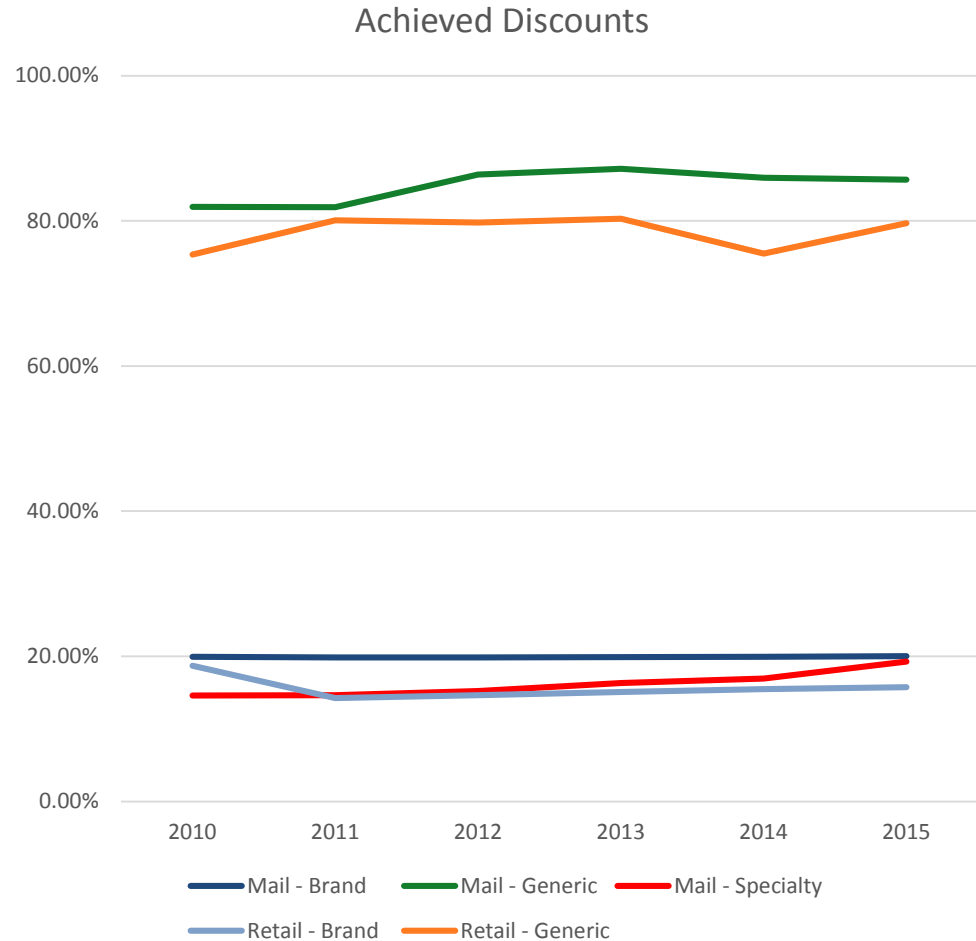
No discrepancies noted. No action required.

Gender Edits

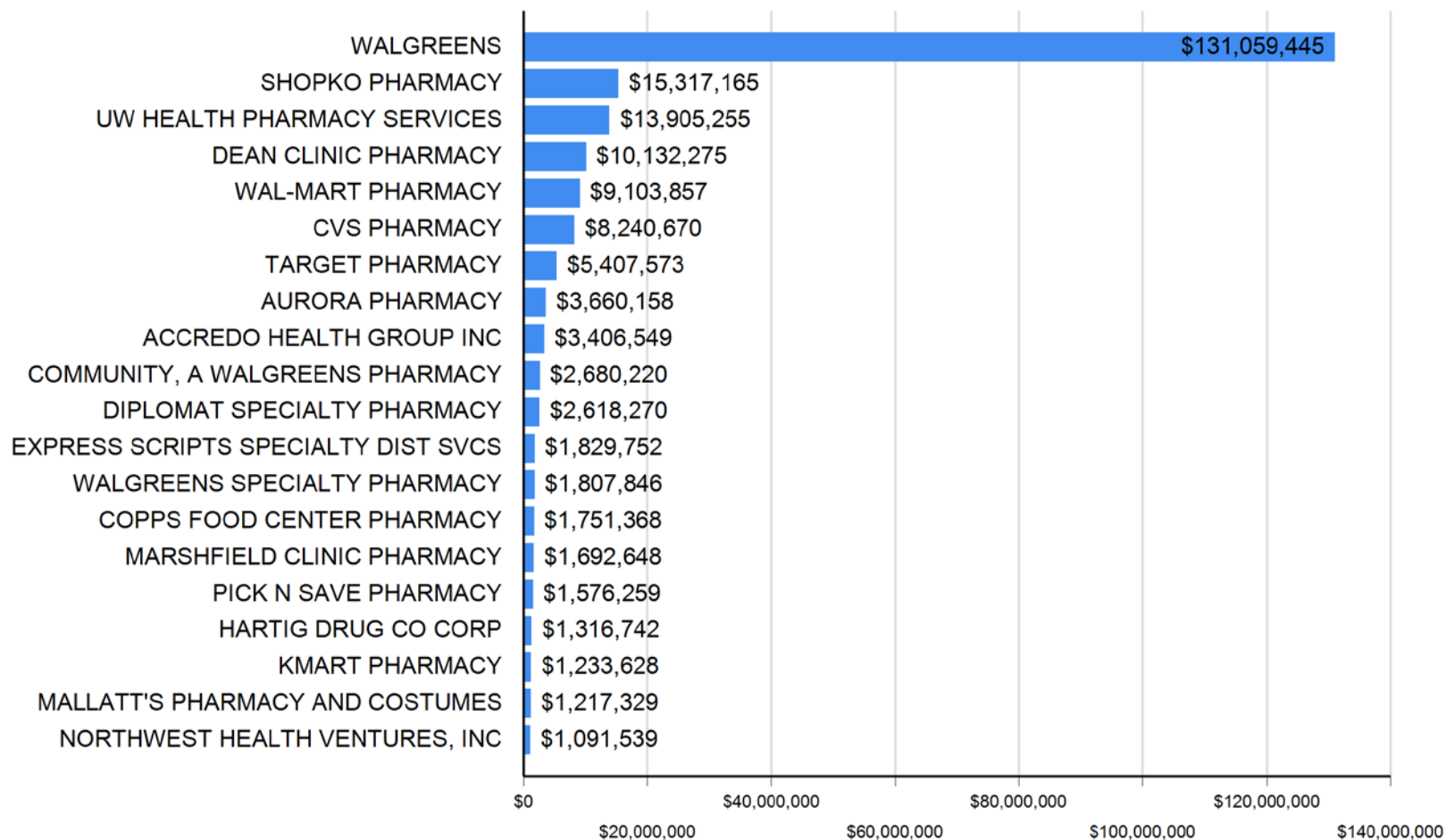
No significant discrepancies noted. No action required.

2015 Contract Pricing Analysis

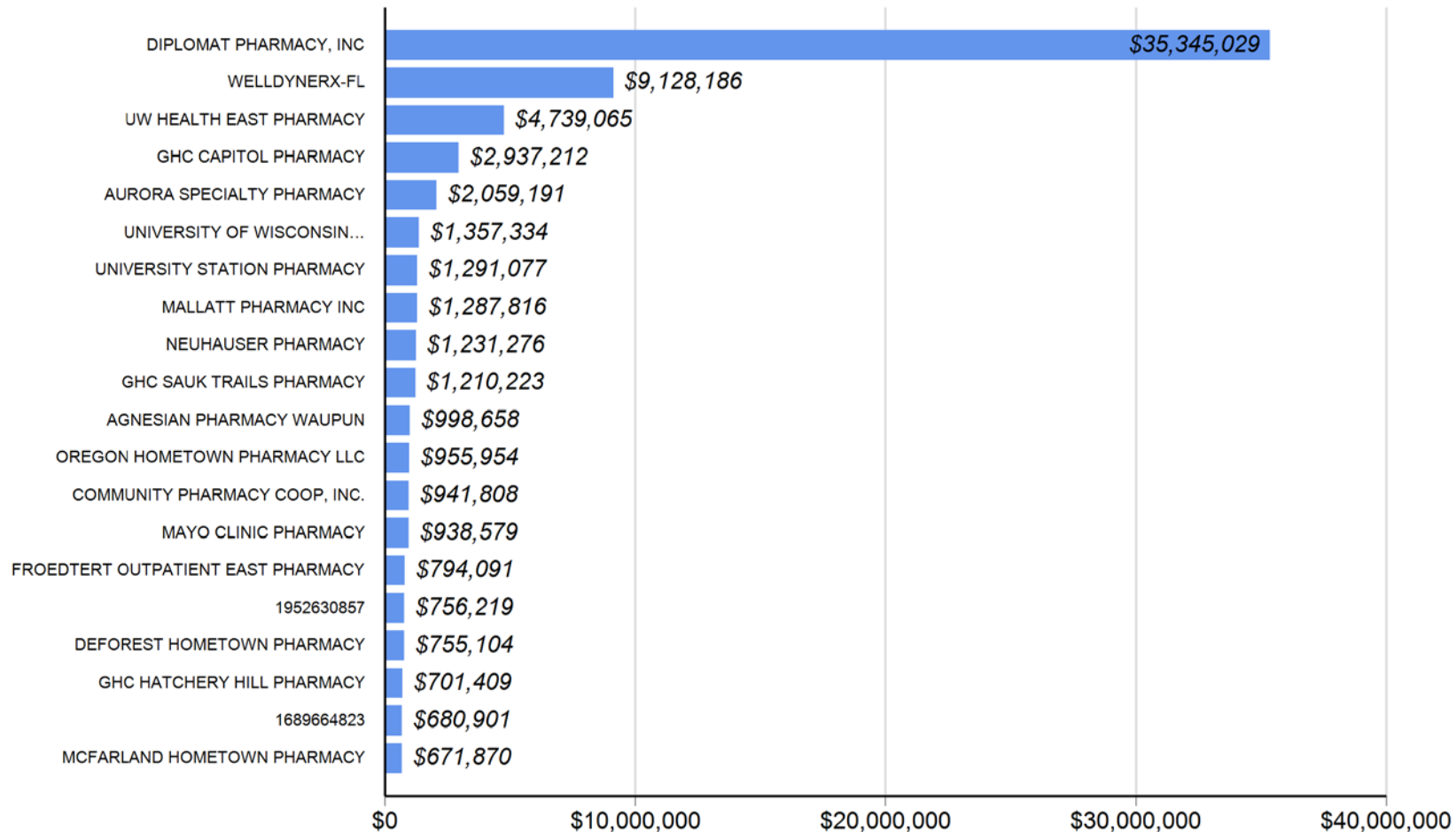
- Generic & Brand discounts remain relatively steady...
- Specialty Drug discounts continue to slowly rise...



Onsite Review of 2015 Chain Pharmacy Network Contracts



Onsite Review of 2015 Independent Pharmacy Network Contracts



2015 Rebate Audit & Analysis

Top 8 Manufacturers

| Manufacturer | Navitus Rebates | TRICAST Rebates | Variance |
|-------------------|--------------------|--------------------|-----------------|
| Commercial MFR #1 | \$1,648,874 | \$1,648,436 | \$438 |
| Commercial MFR #2 | \$1,475,590 | \$1,459,923 | \$15,667 |
| Commercial MFR #3 | \$1,449,761 | \$1,452,269 | (\$2,508) |
| Commercial MFR #4 | \$1,003,996 | \$1,002,713 | \$1,283 |
| Medicare D MFR #5 | \$274,831 | \$275,868 | (\$1,037) |
| Medicare D MFR #6 | \$254,073 | \$244,767 | \$9,306 |
| Medicare D MFR #7 | \$229,008 | \$222,045 | \$6,963 |
| Medicare D MFR #8 | \$248,022 | \$252,280 | (\$4,258) |
| | \$6,584,156 | \$6,558,300 | \$25,856 |

Rebates calculated by TRICAST reflect a variance of less than 1%, in favor of the group health insurance programs.

